



STATE BOARD OF EQUALIZATION
PROPERTY TAXES DEPARTMENT
450 N STREET, MIC: 64, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
TELEPHONE (916) 445-4982
FAX (916) 323-8765
www.boe.ca.gov

April 12, 2002

JOHAN KLEHS
First District, Hayward

DEAN ANDAL
Second District, Stockton

CLAUDE PARRISH
Third District, Torrance

JOHN CHIANG
Fourth District, Los Angeles

KATHLEEN CONNELL
State Controller, Sacramento

JAMES E. SPEED
Executive Director

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

No. 2002/028

UPDATE OF ASSESSORS' HANDBOOK SECTION 504,
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The Board has initiated an update of Assessors' Handbook Section 504 (AH 504), *Assessment of Personal Property and Fixtures*. Enclosed are Board staff's proposed changes, which reflect recent statutory changes and regulatory amendments. In addition to the proposed revisions due to changes in law, other revisions are intended to clarify the existing text. All proposed revisions, including minor nonsubstantive changes, are indicated on the enclosed draft in strikeout and underline format. The enclosed draft includes all of the chapters in the handbook and the pages from the appendices that have been revised. The updated handbook includes the following:

- Revision of language to reflect recent statutory amendments to sections 75.11, 225, 241, 469, 532, and 1603 of the Revenue and Taxation Code.
- Addition of language to provide guidance regarding classification of wind machines, consistent with the example provided in Property Tax Rule 122.5, *Fixtures*.
- Addition of language to provide guidance regarding oak barrels that qualify for the business inventory exemption, consistent with Property Tax Rule 133, *Business Inventory Exemption*.
- Addition of language to provide guidance regarding the assessment of artificial satellites, consistent with Property Tax Rule 206, *Assessment of Artificial Satellites*.
- Addition of language to provide guidance regarding an appeal after an audit, consistent with the amendments to section 469 of the Revenue and Taxation Code and the addition of Property Tax Rule 305.3, *Application for Equalization Under Revenue and Taxation Code Section 469*.
- Addition of language to provide guidance regarding the notice for filing an assessment appeal, consistent with the amendments to sections 75.31, 534, and 1605 of the Revenue and Taxation Code and the addition of Property Tax Rule 305.3.
- Addition of language to provide guidance regarding the partial sales and use tax exemptions for the purchase of farm equipment and machinery, timber harvesting equipment and machinery, and race horse breeding stock, consistent with sections 6356.5, 6356.6, and 6358.5 of the Revenue and Taxation Code, respectively.
- Revision of the discussion on reproduction and replacement cost new to be consistent with the discussion of these subjects in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*.

- Revision of language to clarify the situs of vessels, consistent with language in Assessors' Handbook Section 576, *Assessment of Vessels*.
- Addition of language to provide guidance regarding liquidated damages.

Interested parties may submit proposed revisions to the language presented in the draft until May 28, 2002. The proposed revisions should be submitted as alternative text and should reference the applicable page and line numbers of the draft. Proposed changes to the handbook section other than those identified in strikeout and underline format on the enclosed draft will only be considered if they are supported by statutory changes, regulatory changes, court decisions, or changes to Board publications subsequent to the Board's June 2000 adoption of the current AH 504. Staff will review the suggested changes submitted and incorporate into the draft those changes that are deemed appropriate.

After reviewing comments received from interested parties, the project will proceed as follows:

- Staff will meet with interested parties on July 24, 2002 to discuss proposed changes to the text presented in the attached draft. The meeting is scheduled to begin at 9:30 a.m. in Room 122, Board of Equalization, 450 N Street, Sacramento. The purpose of the meeting is to arrive at final language for the draft. Staff will distribute an agenda matrix prior to the meeting.
- Staff will submit an issue paper and other required documents for the October 2, 2002 Property Tax Committee meeting at which the Committee will hear discussion of any unresolved language issues.

If you have any questions regarding the enclosed draft or the update of this handbook section, please contact Ladeena Ford at (916) 324-5839, ladeena.ford@boe.ca.gov, or Anthony Epolite at (916) 324-2642, anthony.epolite@boe.ca.gov. This letter and all future letters regarding this project will be posted on the Board's Web site and can be accessed by way of the following links: 1) Property Taxes, 2) Property Tax Committee Work Plans, and 3) Property Tax Committee Work Plans 2002.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property Taxes Department

DJG:lf
Enclosure